

Before the  
Federal Communications Commission  
Washington, D.C. 20554

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In the Matter of )  
Policy and Rules Concerning the )  
Interstate, Interexchange Marketplace )  
Implementation of Section 254 (g) of the )  
Communications Act of 1934, as amended )

CC Docket No. 96-61

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COMMENTS OF

**THE NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS**

**PARAQUAD**

**UNITED HOMEOWNERS ASSOCIATION**

**NATIONAL HISPANIC COUNCIL ON THE AGING**

**CONSUMERS FIRST**

**NATIONAL ASSOCIATION OF COMMISSIONS FOR WOMEN**

April 25, 1996

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The National Association of Development Organizations (NADO), PARAQUAD, the United Homeowners Association (UHA), the National Hispanic Council on the Aging (NHCA), and Consumers First submit the following Comments in the above referenced proceeding.

NADO represents the interests of rural consumers, including residential, business, and local government, many of whom have above average bills for long distance telephone calls. Our mission is to enhance opportunities for economic development in rural communities. In a white paper the NADO Research Foundation developed last year we stated that:

"Applications of information technologies in rural businesses, schools, health care institutions, and government agencies can help make those organizations more efficient and effective, help them to overcome the "rural penalty" that results from geographic isolation, and help communities to diversify their economies."<sup>1</sup>

Bringing down long distance prices is critical to making these information technologies available for rural America. We believe that the interests of long distance customers in lower prices and better service are best served by encouraging the development of real price competition among interexchange carriers (IXCs).

Rural Americans are heavily dependent on long distance telephone service to reach friends, family, customers, business, and public services. In many areas of the country rural consumers must pay long distance charges to reach a local internet provider. We have long supported efforts to increase competition and lower prices for all telecommunications services, especially in the long distance market.

PARAQUAD is a nationally recognized disability rights advocacy organization. Its mission is to help people with disabilities live independently. PARAQUAD represents the

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<sup>1</sup> NADO Research Foundation, *White Paper on Telecommunications and Its Impact on Rural America*, April 1994, at 1.

interests of the broad spectrum of persons with disabilities, including people with mobility limitations, people who are deaf, and people who are hard of hearing.

People with disabilities are particularly interested in the development of telecommunications. These new technologies have the potential to empower and further the independence of people with disabilities or they could create new barriers to communications. New barriers could appear in the form of unreasonable pricing or inaccessible products and services. PARAQUAD relies on information from consumer advocates to be able to monitor the deployment of these new technologies -- one way of doing this is through the public availability and review of tariffs that are filed by telecommunications providers.

The United Homeowners Association is a national, nonprofit, membership based organization that represents the interests of homeowners in Washington, D.C. UHA recently initiated a consumer information campaign on selecting a long distance company and calling plan.<sup>2</sup> UHA believes that, until such time as there is meaningful price competition in the long distance market, consumers need more, not less, information to help them choose the company and the calling plan that are right for them.

The National Hispanic Council on the Aging (NHCA) represents the interests of older Americans in a variety of issues, including telecommunications. NHCA has worked actively in support of policies that promote the development of competition in all telecommunications markets as we believe that competition will create lower prices, more choices, better services for all Americans and, particularly, older Americans. Lower prices for long distance service

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<sup>2</sup> Information on the UHA campaign can be found on the UHA Homepage on the World Wide Web: <http://uha.org>

is particularly important for older Americans living on fixed incomes who rely on long distance telephone service to stay in contact with family members and friends across the country and around the world. Also, senior citizens are too often the victims of misleading and fraudulent marketing campaigns. The information contained in public tariffs filed by long distance companies can play an important role in protecting older Americans from deceptive advertising and promotional programs.

Consumers First is a consumer education and advocacy organization that represents taxpayers who are residential and small business consumers. Consumers First members represent individuals and organizations that include homeowners, renters, consumer activists, community leaders, senior citizens, disability groups, small business owners and entrepreneurs. This broad-based grass-roots association is active in providing information and participating in the governmental process. Consumers First supports policies to increase consumer information and awareness.

The National Association of Commissions for Women (NACW) represents local commissions established to promote the interests of women in cultural, social, and economic fields. NACW supports policies and programs that empower women to make informed choice about all aspects of their lives. NACW has been active in the debate on telecommunications reform, supporting legislative and regulatory initiatives to enhance competition thereby creating new options for women as consumers and in business.

Commenters do not believe that there is sufficient price competition in the long distance market to justify the Commission's detariffing proposal. The Commission's detariffing proposal, therefore, is premature.

Real price competition will only develop in the long distance market when new competitors, including the Bell Operating Companies (BOCs), are allowed to enter the market. In order to ensure that competition is robust and that competitors do not tacitly coordinate long distance rates or rig the long distance market, the Commission should, when competition is assured, apply its detariffing decision to all IXC's. The Commission proposes to detariff rates of all non-dominant carriers, including AT&T. As the BOCs would, by definition, be non-dominant carriers when they enter the long distance market, any detariffing decision should apply to them as well.

#### **I. THE COMMISSION'S DETARIFFING PROPOSAL IS PREMATURE**

There is little, if any, price competition among the three largest IXC's who together control the lion's share of the long distance market. AT&T, MCI and Sprint have raised basic rates in lockstep with each other.<sup>3</sup> The IXC's have argued that looking at basic rates is misleading because customers can sign up for discount calling plans. Yet the available evidence suggests that most customers, especially residential customers, have either not signed up for a calling plan, or are not meeting the savings thresholds in the plans that they have selected.<sup>4</sup>

The Commission suggests that detariffing may encourage price competition by lessening the probability that the IXC's are engaging in tacit price coordination.<sup>5</sup> We believe that allowing

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<sup>3</sup> See, attachment 1.

<sup>4</sup> See, for example, The Yankee Group, *Consumer Long Distance: The Battle for Simplicity and Differentiation*, May 1995.

<sup>5</sup> NPRM at paragraph 81.

new entrants into the long distance market is the best, and perhaps the only, way to promote price competition.

Until such time as there is real price competition in the long distance market, tariffs may be necessary to ensure that consumers have access to the accurate information they need to make informed decisions. Consumers typically rely on the representations made by long distance companies in their promotional material and, to a much lesser extent, comparative price analyses prepared by groups such as the Telecommunications Research Action Center (TRAC).<sup>6</sup> The key to consumer confidence in these representations and analyses is that they are verifiable. If the Commission adopts detariffing before there is meaningful price competition in the long distance market, consumers will not have confidence in representations made by long distance companies nor access to independent analyses such as those prepared by groups like TRAC.

## **II. DETARIFFING SHOULD BE APPLIED TO ALL IXC'S**

We believe that when there is meaningful price competition in the long distance market, the Commission should reconsider its detariffing proposal. If the Commission concludes that detariffing is in the public interest, it should apply detariffing rules to all IXC's, including the Bell Operating Companies (BOCs).

In its Notice of Proposed Rulemaking, the Commission notes that the Telecommunications Act of 1996 "significantly alters the legal framework governing the

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<sup>6</sup> *Tele-Tips*, published periodically by the Telecommunications Research Action Center, includes a long distance chart comparing the cost for various calling "baskets" for several IXC's and multiple calling plans.

interstate, interexchange market."<sup>7</sup> More importantly, the Commission believes that entry of the Bell Operating Companies (BOCs), "can be expected to intensify competition in the interstate, interexchange market."<sup>8</sup>

We agree that the entry of the BOCs into the long distance market will increase competition and should produce significant consumer benefits in the form of lower rates and better service.

### **III. CONCLUSION**

In conclusion, in order to ensure that competition is robust and that competitors do not tacitly coordinate long distance rates or rig the long distance market, the Commission should:

- 1) delay detariffing until competition is sufficient; and, 2) apply its detariffing decision to all IXC's.

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<sup>7</sup> NPRM at paragraph 6.

<sup>8</sup> NPRM at paragraph 1.

Respectfully submitted,



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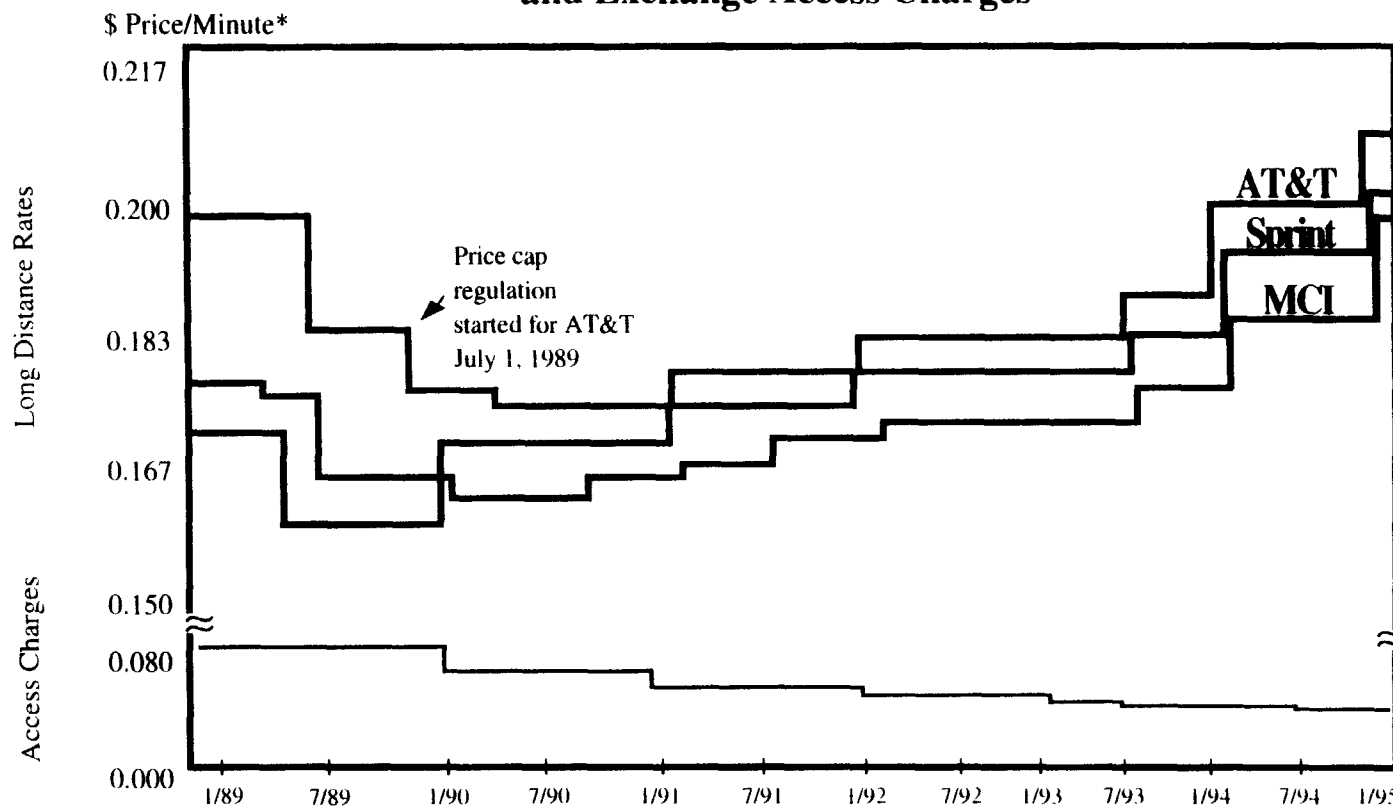
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Figure 2

# Trends in Long Distance Rates and Exchange Access Charges



\*Long distance rates based on the average price per minute for basic service.